Melinda M. Miguel
Chief Inspector General

An Enterprise Approach to Auditing in Florida

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The Chief Inspector General and the Florida Chapter of the Association of Inspectors General

From what source is the IG's authority to conduct Enterprise Audits, Multi-Agency Projects & Strategic Initiatives derived?

- **Section 14.32, F.S.**, provides that the Chief Inspector General (CIG) shall initiate and coordinate activities designed to deter, detect, prevent, and eradicate fraud, waste, abuse, and mismanagement in government.
- CIG is to request such assistance and information as may be necessary for the performance of the duties of the Chief Inspector General.
- CIG may examine the records and reports of any agency the administration of which is under the direct supervision of the Governor.
- CIG shall advise public-private partnerships, including Enterprise Florida, Inc., in their development, utilization, and improvement of internal control measures necessary to ensure fiscal accountability.

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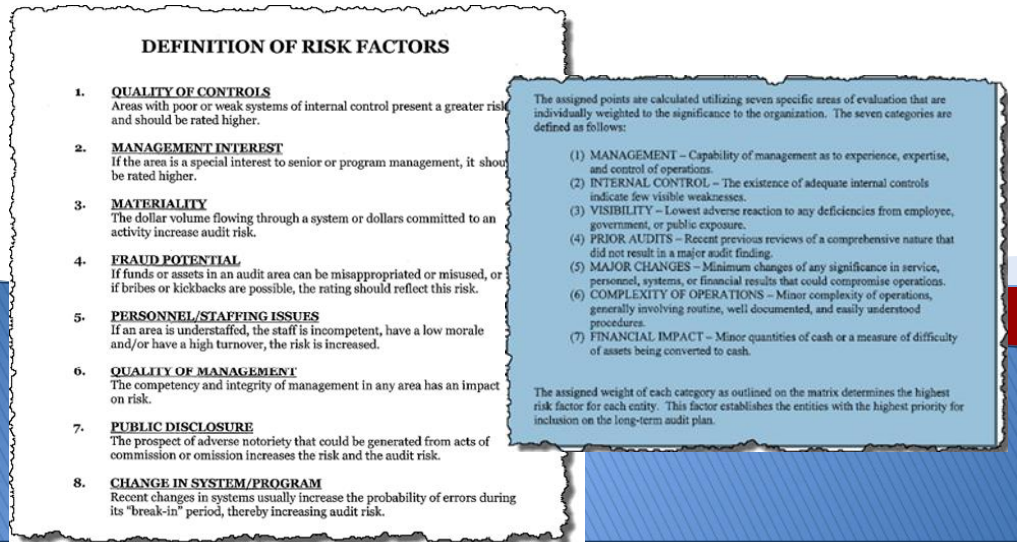
Involvement Profile:

Enterprise Projects-	Generally completed by all agencies
Multi-agency Projects-	Fewer participants, address common issues
Strategic Initiatives-	Projects where new initiatives may be explored to improve all of state government



DEFINITION OF RISK FACTORS

1. **QUALITY OF CONTROLS**
Areas with poor or weak systems of internal control present a greater risk and should be rated higher.

2. **MANAGEMENT INTEREST**
If the area is a special interest to senior or program management, it shou be rated higher.

3. **MATERIALITY**
The dollar volume flowing through a system or dollars committed to an activity increase audit risk.

4. **FRAUD POTENTIAL**
If funds or assets in an audit area can be misappropriated or misused, or if bribes or kickbacks are possible, the rating should reflect this risk.

5. **PERSONNEL/STAFFING ISSUES**
If an area is understaffed, the staff is incompetent, have a low morale and/or have a high turnover, the risk is increased.

6. **QUALITY OF MANAGEMENT**
The competency and integrity of management in any area has an impact on risk.

7. **PUBLIC DISCLOSURE**
The prospect of adverse notoriety that could be generated from acts of commission or omission increases the risk and the audit risk.

8. **CHANGE IN SYSTEM/PROGRAM**
Recent changes in systems usually increase the probability of errors during its "break-in" period, thereby increasing audit risk.

The assigned points are calculated utilizing seven specific areas of evaluation that are individually weighted to the significance to the organization. The seven categories are defined as follows:

(1) MANAGEMENT – Capability of management as to experience, expertise, and control of operations.
(2) INTERNAL CONTROL – The existence of adequate internal controls indicate few visible weaknesses.
(3) VISIBILITY – Lowest adverse reaction to any deficiencies from employee, government, or public exposure.
(4) PRIOR AUDITS – Recent previous reviews of a comprehensive nature that did not result in a major audit finding.
(5) MAJOR CHANGES – Minimum changes of any significance in service, personnel, systems, or financial results that could compromise operations.
(6) COMPLEXITY OF OPERATIONS – Minor complexity of operations, generally involving routine, well documented, and easily understood procedures.
(7) FINANCIAL IMPACT – Minor quantities of cash or a measure of difficulty of assets being converted to cash.

The assigned weight of each category as outlined on the matrix determines the highest risk factor for each entity. This factor establishes the entities with the highest priority for inclusion on the long-term audit plan.

Background on Enterprise Initiatives/Projects

- In February 2010, the CIG asked agency Inspectors General and Audit Directors to consider the efficiencies of working together on common topics.
- First pilot project- 23 agencies worked together to evaluate the Organizational Ethics in each agency.
- Agency Inspectors General and Audit Directors were invited to participate in the identification of the enterprise audit population and to participate in assessing risk associated with potential projects.
  - 41 potential audit topics were identified.
  - List of 41 was based upon prior year's audit plans from the respective state agencies, with pertinent updates to reflect current issues and conditions.

Risk Assessment Factors and Consideration

The ranking of the relative risk of nominated topics was based upon:

- Size ($$$) of budget and flow/path of both appropriations and expenditures.
- Complexity and decentralization of operations.
- Existence or absence of internal control elements and monitoring systems.
- Lapse of time from most recent program audit.
- Potential for loss (or theft) of assets.
- Potential for program objectives to encounter failure.
- Presence of health, safety, and welfare concerns related to the public, employees, users, and recipients of program benefits.

Expected Contribution

In order for each agency to plan for both agency-specific audit projects and enterprise projects, each IG was asked to allocate 20% of their direct audit hours to enterprise projects.

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Excerpt from Enterprise Plan for 2011-2012

Topic	Risk Score	Type
Contract and Grant Monitoring	15.50	Enterprise Project
IT Mobile Technology	15.33	Enterprise Project
IT Service Level Agreements w/PDCs	15.17	Multi-agency Team
Cost Savings and Efficiencies (Survey and Eval)	15.00	Enterprise Project
Background Screening	14.50	Multi-agency Team
IT-AEIT, Agency Risk Assessment Survey	13.83	Enterprise Project
IT Data Classification	13.83	Multi-agency Team
IT Computer Security Incident Response Teams - IGs' Role	13.67	Strategic Initiative

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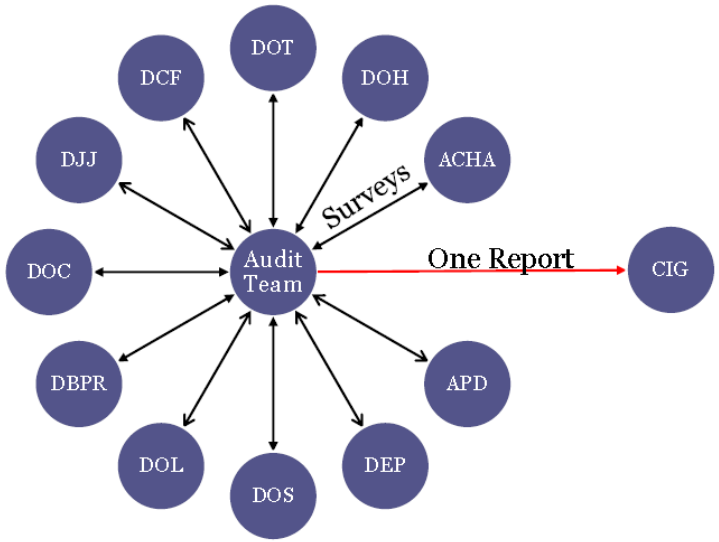
Engagement Type –

Small team reviewing multiple agencies



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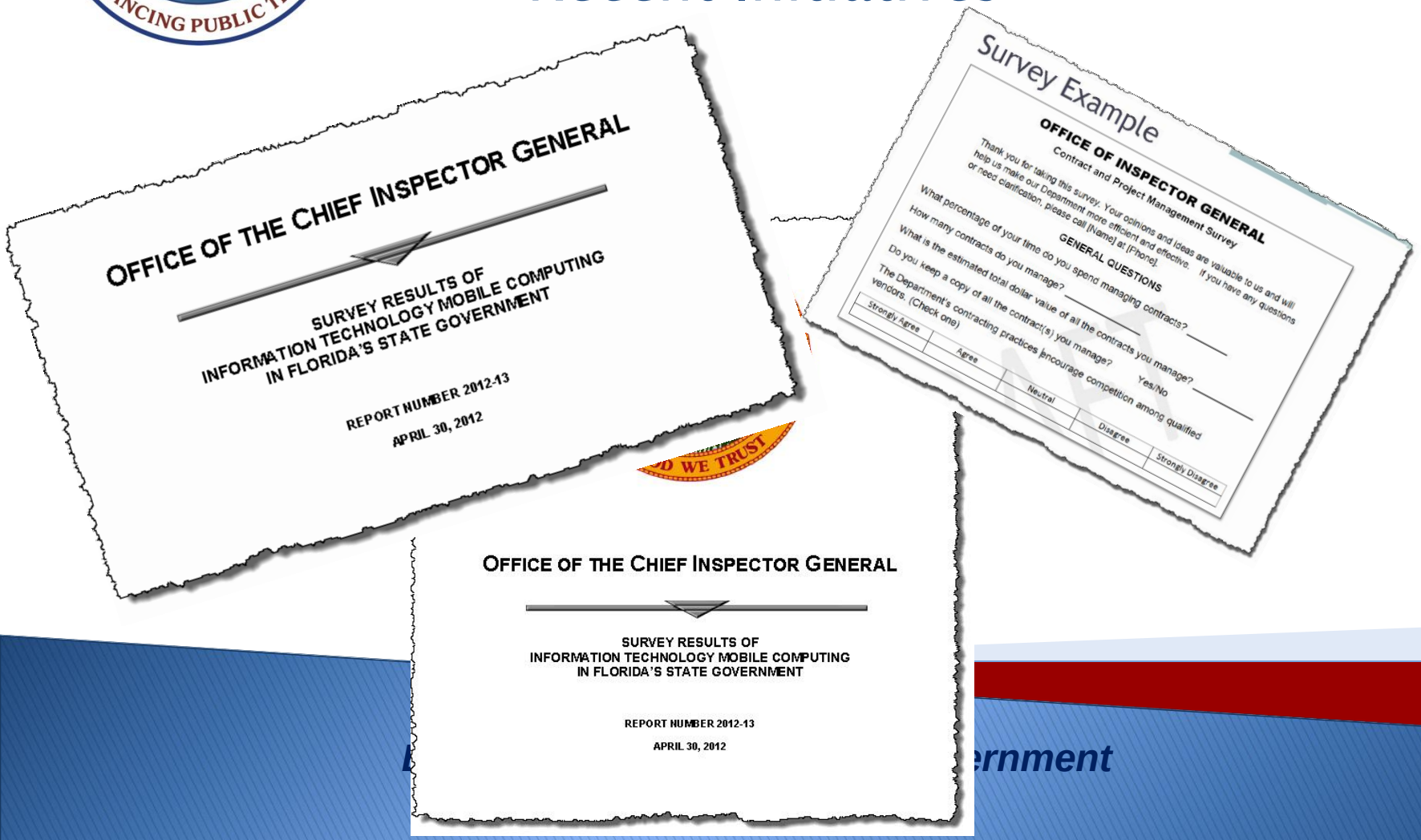
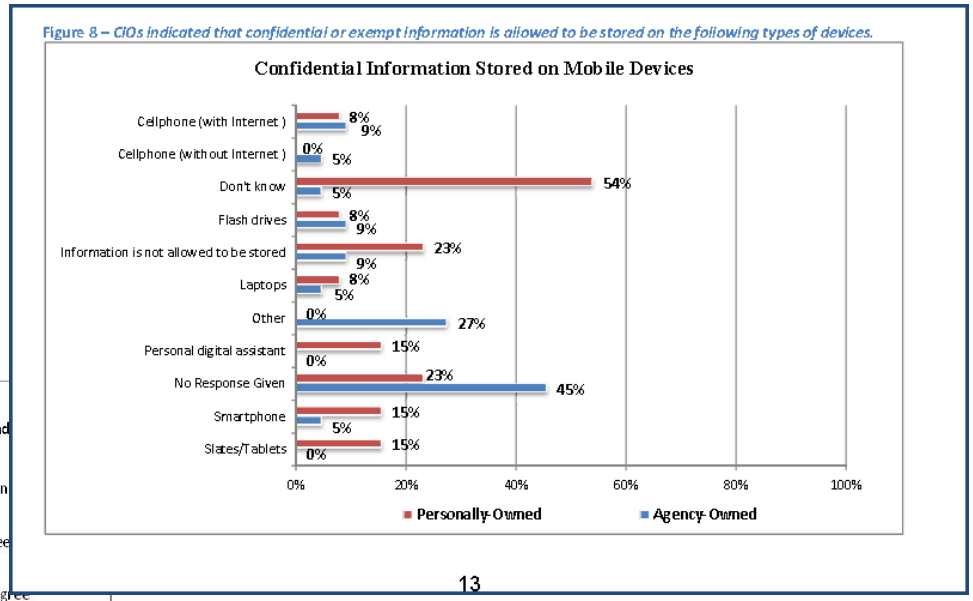
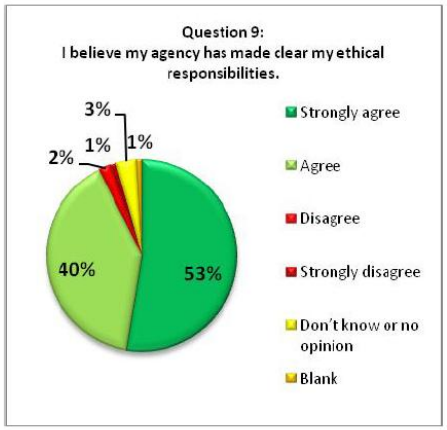
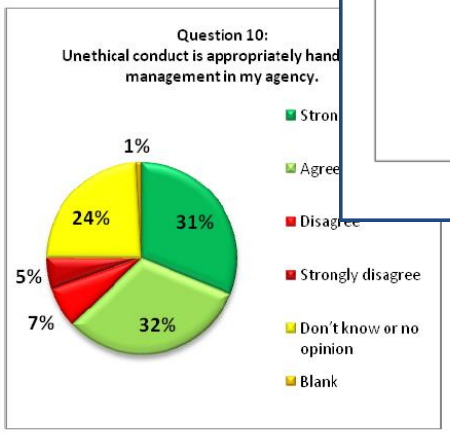
Recent Initiatives



Enterprise Projects also Provided Survey-based Climate Assessments







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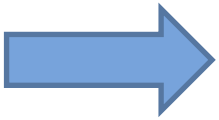
Not only Identifying risks, but also opportunities



April 30, 2012 Report No. 2012-13

Figure 5 – Twenty-two percent of employees indicated they use personally-owned devices for work-related purposes.

Figure 6 – Forty-four percent of employees are willing to use personally-owned devices for work-related purposes.

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Enhancing Public Trust in Government

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1. What risks might interfere with the agency achieving its mission?

2. The OIG is statutorily mandated: 1) to promote accountability, integrity, economy, and efficiency and 2) to detect and deter fraud, waste or abuse in government. To address these responsibilities, what areas would an evaluation of projects, programs, functions or internal controls be most beneficial in the next year?

3. What are the critical interfaces between agencies that give you the most concern and why?

4. What State of Florida programs inside or outside of your agency do you feel are at the greatest risk for waste, abuse or potential wrongdoing?

5. What programs or functions that cross state agency lines could benefit from an enterprise-wide review?

6. What opportunities do you see for the OIG to improve its services to the agency?

7. Is there anything that we've not asked that you'd like to add?

8. Do you suspect, or know of, fraudulent activity occurring in your agency or in state government?

Factors Necessary for Success

- Commitment of executive leadership to accomplish pre-determined goals
- Dedication of adequate resources to accomplish task
- Selection of appropriate resources based upon core competencies
- Assignment of Enterprise initiatives to proven project managers
- An appropriate framework is constructed to facilitate assignments, data collection, field contacts, analysis, information development, and develop findings and conclusions
- Technology and communication tools are used appropriately to enhance the project's goals
- Plan or strategy is sufficiently flexible to respond to changes **in demand.**

Questions?

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